

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* SUMMIT TOWNSHIP	County* JACKSON	Type* TOWNSHIP	MuniCode* 38-1-170
Opinion Date-Use Calendar* Sep 5, 2008	Audit Submitted-Use Calendar* Sep 30, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan as revised (see Appendix H or Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 2,794,635.00
General Fund Expenditure:	\$ 2,736,000.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,979,184.00
Governmental Activities Long-Term Debt (see instructions):	\$ 259,725.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DOUGLAS	Last Name* ATKINS	Ten Digit License Number* 1101016353		
CPA Street Address* 2880 SPRING ARBOR RD	City* JACKSON	State* MI	Zip Code* 49203	Telephone* (517) 782-9351
CPA Firm Name* MARKOWSKI & COMPANY, C	Unit's Street Address* 2121 FERGUSON RD	Unit's City* JACKSON	Unit's Zip* 49203	

SUMMIT TOWNSHIP
JACKSON COUNTY, MICHIGAN

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED MARCH 31, 2008

SUMMIT TOWNSHIP
ANNUAL FINANCIAL REPORT

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**SUMMIT TOWNSHIP
ANNUAL FINANCIAL REPORT**

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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Summit Township Board
Jackson, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Summit Township, as of and for the year ended March 31, 2008, which collectively comprise the Summit Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Summit Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Summit Township, as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008, on our consideration of the Summit Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, and not to provide an opinion on the internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Independent Auditor's Report
Page Two

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Summit Township's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Summit Township. The combining non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole, accordingly, we express no opinion on them.

Markowski & Company CPAs
MARKOWSKI & COMPANY, CPAs
September 5, 2008

SUMMIT TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

As management of Summit Township, we offer the readers of these financial statements this narrative overview and analysis of the financial activities of Summit Township for the fiscal year ended March 31, 2008.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

Summit Township as a Whole

The Township has combined net assets of \$27,075,070. A substantial portion of the Township's net assets (73%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment and infrastructure such as water and sewer lines and payments for road construction); less any related debt used to acquire those assets still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Combined net assets decreased by \$605,608 or 2% during the year ended March 31, 2008. Looking at governmental activities separately from the business-type activities, we see that net assets decreased \$121,383.

Business-type activities report a decrease in net assets of \$484,225 this year as fees from services were not adequate to cover operating expenses. (Depreciation on capital assets of \$923,457 contributed to this decrease).

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Summit Township as a Whole (Continued)

In a condensed format, the following table shows net assets as of March 31, 2008 and 2007:

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 4,797,921	\$ 5,319,097	\$ 3,096,779	\$ 2,859,025	\$ 7,894,700	\$ 8,178,122
Noncurrent assets	3,059,421	2,696,774	21,073,111	20,656,169	24,132,532	23,352,943
Total assets	<u>7,857,342</u>	<u>8,015,871</u>	<u>24,169,890</u>	<u>23,515,194</u>	<u>32,027,232</u>	<u>31,531,065</u>
Current liabilities	176,126	187,920	515,954	386,212	692,080	574,132
Noncurrent liabilities	195,005	260,582	4,065,077	3,055,898	4,260,082	3,316,480
Total liabilities	<u>371,131</u>	<u>448,502</u>	<u>4,581,031</u>	<u>3,442,110</u>	<u>4,952,162</u>	<u>3,890,612</u>
Net Assets:						
Invested in capital assets - net of debt	2,994,701	2,567,229	16,826,337	17,473,633	19,821,038	20,040,862
Restricted	25,669	22,598	286,024	317,697	311,693	340,295
Unrestricted	4,465,841	4,977,542	2,476,498	2,281,754	6,942,339	7,259,296
Total net assets	<u>\$ 7,486,211</u>	<u>\$ 7,567,369</u>	<u>\$ 19,588,859</u>	<u>\$ 20,073,084</u>	<u>\$ 27,075,070</u>	<u>\$ 27,640,453</u>

**SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Summit Township as a Whole (Continued)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Program Revenues						
Charges for Services	\$ 359,016	\$ 421,972	\$ 3,248,955	\$ 3,216,188	\$ 3,607,971	\$ 3,638,160
Operating Grants and Contributions	-	-	47,193	-	47,193	-
Capital Grants and Contributions	-	-	20,158	64,213	20,158	64,213
General Revenues						
Property Taxes	732,873	693,949	-	-	732,873	693,949
State-Shared Revenues	1,504,061	1,490,888	-	-	1,504,061	1,490,888
Interest Income	238,388	253,115	95,587	101,477	333,975	354,592
Administrative Fees - Other Funds	160,000	160,000	-	-	160,000	160,000
Franchise Fees	153,446	132,567	-	-	153,446	132,567
Telecommunication Fees	10,962	10,956	-	-	10,962	10,956
Other Income	45,559	29,983	-	-	45,559	29,983
Transfers	(125,000)	(110,000)	-	-	(125,000)	(110,000)
Total Revenues	<u>3,079,305</u>	<u>3,083,430</u>	<u>3,411,893</u>	<u>3,381,878</u>	<u>6,491,198</u>	<u>6,465,308</u>
Program Expenses						
Legislative	130,007	145,438	-	-	130,007	145,438
General Government	638,898	606,771	-	-	638,898	606,771
Public Safety	2,018,289	1,931,563	-	-	2,018,289	1,931,563
Public Works	146,129	145,478	-	-	146,129	145,478
Other Functions	83,873	85,650	-	-	83,873	85,650
Depreciation and Amortization	183,492	180,719	-	-	183,492	180,719
Water and Sewer	-	-	3,896,118	3,867,577	3,896,118	3,867,577
Total Expenses	<u>3,200,688</u>	<u>3,095,619</u>	<u>3,896,118</u>	<u>3,867,577</u>	<u>7,096,806</u>	<u>6,963,196</u>
Change in Net Assets	<u>\$ (121,383)</u>	<u>\$ (12,189)</u>	<u>\$ (484,225)</u>	<u>\$ (485,699)</u>	<u>\$ (605,608)</u>	<u>\$ (497,888)</u>

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The Township's management has taken actions to reduce expenditures. The Township does not have many options to increase revenue. The Township's total government activity revenues excluding transfers were \$3,204,305 this year. Property taxes were \$732,873 or 23% of the total revenues. Property tax increases are controlled by various State laws that restrict the increase in taxable values to amounts at or below the rate of inflation. State revenue sharing was \$1,504,061 or 47% of total governmental revenue. Distribution of this revenue is also controlled by State law. The remaining 30% of governmental activity revenue is comprised mostly of charges for services and investment income. The Township's budget is expended largely on public safety consisting of fire and police protection with expenditures of \$1,879,597 or 59%, and building code enforcement of \$138,692 or 4% of total expenditures. The remaining budget being dedicated to other functions such as elections, assessing, zoning, roads and streets and Township administration. Township management recognizes that at some point in the not too distant future the disparity of flat revenues and the ever increasing cost of public safety must be addressed.

Business-Type Activities

The Township's business-type activities consist of its Water and Sewer funds. Operating revenues of the business-type activities increased by \$79,960 or 2%. Operating expenses increased by \$33,603 or 1%. Much of the increase in expenditures is a result of higher costs of sewer purchases. While the business-type net assets decreased this past year, the decrease was less than depreciation charged on assets.

The Township's Funds

The fund financial statements provide a more detailed analysis of the Township's operations, which is focused primarily on the current use of available resources. The Township maintains several funds to help manage money designated for special purposes, as well as to show accountability for certain activities.

The General Fund, the major governmental fund, relates to the general governmental activities of the Township, which are financed by property tax levies, by distribution of State Shared revenues, and from fees charged for various municipal activities and services. The General Fund's fund balance decreased \$66,365 largely due to the transfer of \$125,000 to other funds for Township retiree health care. Total expenditures in the General Fund were \$2,861,000 this year including these fund transfers.

The Water and Sewer Fund is used to account for business-like activities provided to the Township's residents. The Township charges for water and sewer service and other related goods and services. Net assets decreased by \$484,225 in large part due to depreciation of \$923,457. Total Operating revenues of \$3,296,148 increased \$79,960 due to water and sewer rates being increased.

Total operating expenses of \$3,819,323 increased \$33,603. Major expenses include water and sewer purchases \$1,146,363, interest on debt \$75,688, and system maintenance and supplies \$560,805.

SUMMIT TOWNSHIP MANAGEMENT DISCUSSION AND ANALYSIS

The Township's Funds (Continued)

The Township maintains several Special Revenue Funds to account for resources set aside for specific purposes as well as Expendable Trust Funds to account for assets held for individuals in a trustee capacity.

General Fund Budgetary Highlights

The original budget adopted for the Township's General Fund projected a \$109,325 decrease in fund balance. As the year progressed and actual events took place, an amended budget was adopted to reflect the changing financial picture.

The final General Fund budget projected a \$134,325 decrease in fund balance with the General Fund transferring \$125,000 to other funds.

Capital Asset and Debt Administration

At the end of the March 31, 2008 fiscal year, the Township had \$24,132,532 invested in its capital assets, net of accumulated depreciation. The Township invested in a new fire truck and a major addition to the water infrastructure by adding an additional elevated water storage tank.

A summary of capital assets follows:

	Governmental Activities	Business-Type Activities	Total
	(Net of Accumulated Depreciation)		
Land and improvements	\$ 103,712	\$ 273,678	\$ 377,390
Building and improvements	1,546,851	657,556	2,204,407
Water and Sewer Systems	-	19,545,342	19,545,342
Machinery & equipment	275,518	546,364	821,882
Office equipment	40,378	-	40,378
Vehicles	782,670	-	782,670
Total	\$ 2,749,129	\$ 21,022,940	\$ 23,772,069

At the end of the year the Township had total debt outstanding of \$4,311,494. The debt represents general obligation bonds from the water and sewer fund.

SUMMIT TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

The Township anticipates that 2008/2009 will present continuing fiscal challenges with little to no increase in revenue sharing from the State as the Township millage remains constant.

Along with efficiently carrying out routine managerial and operating responsibilities, management continues to face the challenge of exploring, identifying and implementing cost saving measures as well as planning for the future of Summit Township.

Among these is the signing of a contract extension for police services with the Jackson County Sheriff more than a year ahead of schedule. This locks in the current terms for an additional 4 years. Another example is a recently executed contract with the Jackson Transportation Authority (JTA) to purchase gasoline and diesel fuel for Township vehicles. In this day of ever-increasing fuel costs the Township expects this to save at least \$.25/gallon compared with the previous retail purchasing practice. The Township is also continuing the contract with Leoni Township to provide after hours service and sewer mini-can maintenance/repair for its pressure sewer system.

Building construction activity continues to be significantly below prior years and has resulted in the need to address the fixed costs associated with providing the related inspection services. In addition to asking the Building Inspector to oversee Township facilities maintenance and modification responsibilities, the Township also intends to sign a contract for providing inspection services to Napoleon Township, thereby sharing costs and preserving the integrity of Summit Township's Building Inspection Department.

Construction of a new elevated water storage tank to comply with the Michigan Department of Environmental Quality (DEQ) requirements will be completed in the fall of 2008. Emergency generators for three other water towers will also be installed during the year. A study of water department costs will be conducted to determine if a rate increase may be necessary in fiscal year 2009/2010.

The Township's Department of Public Works (DPW) will begin construction of sanitary sewer for the connection to Jackson Community College (JCC) that will enable the college to retire their independent sewage treatment system. This is being accomplished on a shared cost basis with JCC and will also provide sewer service for other residents and future development in the southeastern part of the Township.

Ordinance enforcement is often a thankless job. The Township's Ordinance Enforcement Office has diligently and prudently addressed this responsibility by being responsive to resident concerns with the objective of resolving problems. Though a significant increase in mortgage foreclosures and abandonment of homes continues to exacerbate enforcement of the Townships Noxious Weed Ordinance, a persistent expectation of financial institutions and realtors responsible for these properties is keeping this under control.

The study of a metro fire concept throughout the City of Jackson and the townships of Blackman, Leoni and Summit have been ongoing for nearly two years. The report is nearing completion and draft versions suggest that a full fledged Metro Fire Department is not achievable at this time. However, a number of areas where cooperation and collaboration can achieve improved service and/or cost management have been identified and will be pursued.

SUMMIT TOWNSHIP
MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates (Continued)

Effective April 1, 2008 Summit Township named Scot Harvey as Chief of the Fire Department. Chief Harvey had been acting chief for the previous 18 months. Chief Harvey will be commissioning three new pieces of fire apparatus the township expects to place in service in May. The total cost of this equipment was \$783,749 and is being paid from reserves set aside by past Boards of Trustees for needs such as this.

The Township completed the 5 year review of its Recreation Plan during the past year. The overwhelming interest among Township residents is for further development of "non-motorized trails". We hope to work with the County Parks and County Road Commission for repair of existing and development of future trails.

The State mandated 5 year review and update of the Land Use Plan will be getting underway this year.

The Codification project (a comprehensive review and reorganization of the Township's ordinances) begun in 2006 is nearing completion. In addition to the final hard copy set of up-to-date ordinances for reference in the office, there will also be a searchable, on-line set available through a link on the Township website. The ordinances will be kept current via an update of changes made each year.

The Township also plans to continue the cooperative effort with the City of Jackson and the Ella Sharp Park Board to reduce the deer population in and around Sharp Park (Summit Township surrounds the park on three sides) and Cascades. The first phase of this plan was implemented in January, 2008 with the harvesting of 80 deer. The State Department of Natural Resources indicates this number will need to be removed annually for at least the next four years to result in any significant population reduction.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show our accountability for the money received. If you have questions about this report, or would like additional information, we welcome you to contact the Township Supervisor at 2121 Ferguson Rd, Jackson, Michigan 49203.

SUMMIT TOWNSHIP

BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED MARCH 31, 2008

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
MARCH 31, 2008

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 4,215,783	\$ 2,369,684	\$ 6,585,467
Accounts receivable	282,665	460,384	743,049
Due from other governments	56,366	116,350	172,716
Internal balances	217,438	(160,569)	56,869
Prepaid expenses	25,669	-	25,669
Inventory	-	286,024	286,024
Notes receivable - current	-	24,906	24,906
Total current assets	<u>4,797,921</u>	<u>3,096,779</u>	<u>7,894,700</u>
Noncurrent assets:			
Capital assets not being depreciated	58,022	252,223	310,245
Capital assets being depreciated, net	2,691,107	20,770,717	23,461,824
Special assessment receivable - long term	-	13,467	13,467
Bond issuance costs	-	36,704	36,704
Intangible asset - road construction	310,292	-	310,292
Total noncurrent assets	<u>3,059,421</u>	<u>21,073,111</u>	<u>24,132,532</u>
Total assets	<u>7,857,342</u>	<u>24,169,890</u>	<u>32,027,232</u>
LIABILITIES:			
Current liabilities:			
Accounts payable	77,562	195,647	273,209
Accrued payroll	33,844	15,307	49,151
Bonds, notes, and loans payable - current	64,720	305,000	369,720
Total current liabilities	<u>176,126</u>	<u>515,954</u>	<u>692,080</u>
Noncurrent liabilities:			
Bonds, notes, and loans payable - long term	-	3,941,774	3,941,774
Compensated absences	195,005	123,303	318,308
Total noncurrent liabilities	<u>195,005</u>	<u>4,065,077</u>	<u>4,260,082</u>
Total liabilities	<u>371,131</u>	<u>4,581,031</u>	<u>4,952,162</u>
NET ASSETS:			
Invested in capital assets - net of related debt	2,994,701	16,826,337	19,821,038
Restricted	25,669	286,024	311,693
Unrestricted	4,465,841	2,476,498	6,942,339
Total net assets	<u>\$ 7,486,211</u>	<u>\$ 19,588,859</u>	<u>\$ 27,075,070</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Legislative	\$ 130,007	\$ -	\$ -	\$ -
General government	638,898	46,523	-	-
Public safety	2,018,289	161,727	-	-
Public works	146,129	142,067	-	-
Other functions	83,873	8,699	-	-
Depreciation and amortization	183,492	-	-	-
Total governmental activities	3,200,688	359,016	-	-
Business-type activities				
Water and sewer	3,896,118	3,248,955	47,193	20,158
Total government	<u>\$ 7,096,806</u>	<u>\$ 3,607,971</u>	<u>\$ 47,193</u>	<u>\$ 20,158</u>

General revenues:

Property taxes
State-shared revenues
Interest income
Administrative fees - from other funds
Franchise fees
Telecommunication fees
Other income
Transfers

Total general revenues and transfers

Change in net assets

Net assets - Beginning
Net assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expenses) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (130,007)	\$ -	\$ (130,007)
(592,375)	-	(592,375)
(1,856,562)	-	(1,856,562)
(4,062)	-	(4,062)
(75,174)	-	(75,174)
(183,492)	-	(183,492)
<u>(2,841,672)</u>	<u>-</u>	<u>(2,841,672)</u>
 -	 (579,812)	 (579,812)
<u>(2,841,672)</u>	<u>(579,812)</u>	<u>(3,421,484)</u>
 732,873	 -	 732,873
1,504,061	-	1,504,061
238,388	95,587	333,975
160,000	-	160,000
153,446	-	153,446
10,962	-	10,962
45,559	-	45,559
(125,000)	-	(125,000)
<u>2,720,289</u>	<u>95,587</u>	<u>2,815,876</u>
 (121,383)	 (484,225)	 (605,608)
7,607,594	20,073,084	27,680,678
<u>\$ 7,486,211</u>	<u>\$ 19,588,859</u>	<u>\$ 27,075,070</u>

SUMMIT TOWNSHIP
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	GENERAL	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 1,189,264	\$ 3,026,519	\$ 4,215,783
Accounts receivable:			
Sales tax	232,395	-	232,395
Franchise fees	38,006	-	38,006
Other	10,312	-	10,312
Prepaid expenses	25,669	-	25,669
Accrued interest receivable	-	1,952	1,952
Due from other funds	534,752	-	534,752
Due from other governments	45,870	10,496	56,366
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,076,268</u>	<u>\$ 3,038,967</u>	<u>\$ 5,115,235</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 65,200	\$ 12,362	\$ 77,562
Accrued payroll	31,884	1,960	33,844
Due to other funds	-	317,314	317,314
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>97,084</u>	<u>331,636</u>	<u>428,720</u>
 FUND BALANCES			
Fund balances - Unreserved	1,953,515	2,707,331	4,660,846
- Reserved	25,669	-	25,669
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>1,979,184</u>	<u>2,707,331</u>	<u>4,686,515</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities, fund equity and other credits	<u>\$ 2,076,268</u>	<u>\$ 3,038,967</u>	<u>\$ 5,115,235</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MARCH 31, 2008**

Total fund balance - total governmental funds	\$ 4,686,515
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. For purposes of this reconciliation capital assets are netted with accumulated depreciation.	2,749,129
The Township has a road agreement with the County Road Commission to share in the cost of road construction. The Township does not own or maintain these roads and therefore they are not reported in the governmental funds balance sheet. Amount shown net of related amortization.	310,292
The Township's road agreement payments are spread over a five year period. Long term liabilities are not reported in the governmental funds balance sheet.	(64,720)
Accrued leave is not due and payable in the current period and, therefore, is not reported in the governmental funds balance sheet.	<u>(195,005)</u>
Net assets of governmental activities	<u><u>\$ 7,486,211</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	TOTAL
REVENUES:			
State shared revenues	\$ 1,504,061	\$ -	\$ 1,504,061
Fines and forfeitures	36,323	-	36,323
Interest and rentals	94,631	143,757	238,388
Taxes and penalties	732,873	142,067	874,940
Licenses and fees	185,106	92,157	277,263
Other revenue	241,641	93,257	334,898
Total revenues	<u>2,794,635</u>	<u>471,238</u>	<u>3,265,873</u>
EXPENDITURES:			
Current:			
Legislative	130,007	-	130,007
General government	642,683	-	642,683
Public safety	1,807,721	138,692	1,946,413
Public works	-	815,893	815,893
Other functions	155,589	-	155,589
Total expenditures	<u>2,736,000</u>	<u>954,585</u>	<u>3,690,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>58,635</u>	<u>(483,347)</u>	<u>(424,712)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	400,934	400,934
Operating transfers (out)	(125,000)	(400,934)	(525,934)
Total other financing sources (uses)	<u>(125,000)</u>	<u>-</u>	<u>(125,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	<u>(66,365)</u>	<u>(483,347)</u>	<u>(549,712)</u>
FUND BALANCE - Beginning of year	<u>2,045,549</u>	<u>3,190,678</u>	<u>5,236,227</u>
FUND BALANCE - End of year	<u>\$ 1,979,184</u>	<u>\$ 2,707,331</u>	<u>\$ 4,686,515</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities.
Year ended March 31, 2008

Net change in fund balances - total governmental funds	\$ (549,712)
--	--------------

Amounts reported for governmental activities in the statement of activities
are different because:

Government funds report capital outlay as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	671,120
--	---------

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(165,989)
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Governmental funds report road payments to the County Road Commission as expenditures. However, in the government wide statement of activities and changes in net assets, the cost of those intangible assets is allocated over their estimated useful lives as amortization expense.	71,716
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Amortization expense on intangible assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, amortization expense is not reported as an expenditure in governmental funds.	(17,503)
--	----------

Governmental funds report sale of fixed assets as income. However, in the government wide statement of activities and changes in net assets, the sale of fixed assets are netted with net cost to record a gain or loss on sale of the asset.	(131,872)
---	-----------

Earned leave expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.	<u>857</u>
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Change in net assets of governmental activities	<u>\$ (121,383)</u>
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The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2008

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,369,684
Receivables	460,384
Inventory, at cost - Pumps and meters	286,024
Due from other governments	116,350
Notes Receivable - Short-term	24,906
Total current assets	<u>3,257,348</u>

Noncurrent assets:

Land	252,223
Buildings and improvements	775,680
Machinery, equipment and vehicles	1,206,160
Sewer and water lines	39,901,787
Less - Accumulated depreciation	<u>(21,112,910)</u>
Net property, plant and equipment	21,022,940
Special assessment receivable - Long-term	13,467
Unamortized bond issuance costs	36,704
Total noncurrent assets	<u>21,073,111</u>
Total assets	<u>24,330,459</u>

LIABILITIES

Current liabilities:

Accounts payable	195,647
Accrued payroll	15,307
Due to other funds	160,569
Bonds, notes, and loans payable	305,000
Total current liabilities	<u>676,523</u>

Noncurrent liabilities:

Compensated absences	123,303
Bonds, notes, and loans payable	3,941,774
Total noncurrent liabilities	<u>4,065,077</u>
Total liabilities	<u>4,741,600</u>

NET ASSETS

Invested in capital assets, net of related debt	16,826,337
Restricted	286,024
Unrestricted	2,476,498
Total net assets	<u>\$ 19,588,859</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2008

	WATER	SEWER	TOTAL
CHARGES FOR SERVICES:			
Usage charges	\$ 1,208,792	\$ 1,728,923	\$ 2,937,715
Inspection fees	-	1,620	1,620
Tap on charges and connection fees	123,448	16,580	140,028
Total charges for services	<u>1,332,240</u>	<u>1,747,123</u>	<u>3,079,363</u>
OTHER REVENUES:			
Government grants	47,193	-	47,193
Penalties	15,208	23,450	38,658
Grinder pumps	-	32,625	32,625
Meters and curb boxes	10,027	-	10,027
Reimbursements from other governmental units	33,208	20,516	53,724
Interest - Tap on charges and connection fees	7,907	7,375	15,282
Other revenues	7,055	7,054	14,109
Materials and repairs	4,113	1,054	5,167
Total other revenues	<u>124,711</u>	<u>92,074</u>	<u>216,785</u>
TOTAL OPERATING REVENUES	<u>1,456,951</u>	<u>1,839,197</u>	<u>3,296,148</u>
ADMINISTRATION EXPENSES:			
Salaries and wages	174,225	174,224	348,449
Employees' social security	13,076	13,077	26,153
Employees' health insurance	41,832	40,403	82,235
Employees' life insurance	346	346	692
Retirement contribution	32,491	32,491	64,982
Office supplies	1,188	-	1,188
Computer supplies	5,525	3,892	9,417
Professional services	10,295	8,737	19,032
Telephone	2,091	2,087	4,178
Repairs and maintenance	4,210	2,980	7,190
Administration fee	80,000	80,000	160,000
Insurance	9,657	9,654	19,311
Mowing	3,124	3,124	6,248
Clothing/safety protection	1,009	880	1,889
Education and training	3,487	215	3,702
Fuel	10,349	13,501	23,850
Total administration expenses	<u>392,905</u>	<u>385,611</u>	<u>778,516</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2008

	WATER	SEWER	TOTAL
PUMPING AND DISTRIBUTION EXPENSES:			
Depreciation	\$ 234,350	\$ 689,107	\$ 923,457
Grinder pumps	-	31,673	31,673
Supplies	231,120	33,886	265,006
Repairs and maintenance	55,307	240,492	295,799
Heat, light and power	131,560	71,032	202,592
Water/sewer purchases	20,435	1,125,928	1,146,363
Well abandonment	64,620	-	64,620
Main tap expenses	93,885	17,412	111,297
Total pumping and distribution expenses	<u>831,277</u>	<u>2,209,530</u>	<u>3,040,807</u>
TOTAL OPERATING EXPENSES	<u>1,224,182</u>	<u>2,595,141</u>	<u>3,819,323</u>
OPERATING INCOME (LOSS)	<u>232,769</u>	<u>(755,944)</u>	<u>(523,175)</u>
NONOPERATING REVENUES (EXPENSES):			
Interest income	76,470	19,117	95,587
Interest expense	(75,688)	-	(75,688)
Amortization of bond issuance cost	(1,107)	-	(1,107)
Total nonoperating revenues (expenses)	<u>(325)</u>	<u>19,117</u>	<u>18,792</u>
Income (Loss) before capital contribuitons	232,444	(736,827)	(504,383)
CAPITAL CONTRIBUTIONS	<u>-</u>	<u>20,158</u>	<u>20,158</u>
Change in net assets	<u>\$ 232,444</u>	<u>\$ (716,669)</u>	<u>(484,225)</u>
Total net assets - beginning of year			<u>20,073,084</u>
Total net assets - end of year			<u>\$ 19,588,859</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2008

	<u>WATER AND SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 3,158,104
Payments to suppliers	(2,320,972)
Payments to employees	(521,074)
Payments (internal activity) from other funds	(34)
Payments from other governments	143,371
Net cash provided (used) by operating activities	<u>459,395</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,342,763)
Principal and interest paid on capital debt	(280,688)
Bond issuance costs	(23,421)
Proceeds from debt	1,321,774
Proceeds from notes receivable	52,193
Proceeds from capital contributions	20,158
Net cash provided (used) by capital and related financing activities	<u>(252,747)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	98,845
Net cash provided (used) by investing activities	<u>98,845</u>
Net increase (decrease) in cash and cash equivalents	305,493
Balances - beginning of year	<u>2,064,191</u>
Balances - end of year	<u><u>\$ 2,369,684</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (523,175)
Adjustments to reconcile operating income to net cash provided (used) by operating activities	
Depreciation expense	923,457
Change in assets and liabilities	
Receivables - net	(37,127)
Due from other governments	42,455
Inventories	31,673
Accounts payable	20,710
Due to other funds	(34)
Accrued expenses	1,436
Net cash provided by operating activities	<u><u>\$ 459,395</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
MARCH 31, 2008

	MEDICAL INSURANCE FUND	SICK PAY FUND	AGENCY FUNDS
ASSETS			
Cash and cash equivalents	\$ 581,697	\$ 280,802	\$ 81,952
Receivables	-	-	270
Interest receivable	77	209	-
Prepaid expenses	11,856	-	-
Total assets	593,630	281,011	\$ 82,222
LIABILITIES			
Accrued payroll	-	13,878	\$ -
Due to other funds	12,000	12,516	32,354
Due to other governments	-	-	49,868
Total liabilities	12,000	26,394	\$ 82,222
NET ASSETS			
Held in trust for employee benefits	\$ 581,630	\$ 254,617	

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED MARCH 31, 2008

	MEDICAL INSURANCE FUND	SICK PAY FUND
ADDITIONS		
Employer contributions	\$ 125,000	\$ -
Retirees medical reimbursements	3,865	-
Interest income	24,174	13,705
Total additions	<u>153,039</u>	<u>13,705</u>
DEDUCTIONS		
Benefits	<u>136,090</u>	<u>36,107</u>
Change in net assets	16,949	(22,402)
Net assets - beginning of year	<u>564,681</u>	<u>277,019</u>
Net assets - end of year	<u><u>\$ 581,630</u></u>	<u><u>\$ 254,617</u></u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP

NOTES TO THE FINANCIAL STATEMENTS

SUMMIT TOWNSHIP
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SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

The accounting policies of Summit Township, Michigan (the "Township") conform to generally accepted accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant policies used by Summit Township, Michigan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF TOWNSHIP OPERATIONS:

Summit Township was organized in 1857 and is located in the center of Jackson County. The Township operates under an elected Board of Trustees and Officers and provides services to its more than 21,500 residents in many areas, including law enforcement, fire protection, water and sewer operations, community enrichment and development, human services, and general administrative services.

B. REPORTING ENTITY:

Summit Township is a municipal corporation governed by an elected board of trustees. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with this criteria, there are no component units included in this reporting entity.

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as a separate column in the fund financial statements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. All other revenue items are considered to be available only when cash is received by the government.

The Township reports the following major governmental fund:

- The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following nonmajor funds:

- The Building and Site Special Revenue Fund accounts for resources set aside for Township capital improvements.
- The Public Improvement Special Revenue Fund accounts for resources set aside for Township improvements which cannot be used for general government purposes.
- The Equipment Special Revenue Fund accounts for resources set aside for the purchase of equipment.
- The Street Lighting Special Revenue Fund accounts for the costs of lighting certain portions of the Township, and the special assessments levied upon benefiting property owners to finance these districts
- The Improvement Revolving Special Revenue Fund accounts for all resources set aside for future capital improvements.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

- The Building Code Special Revenue Fund accounts for all activities of the building department. This fund was established to facilitate compliance with Michigan Public Act 245 of 1999, which requires that fees charged bear a reasonable relationship to the costs of operating a building department.

The Township reports the following major proprietary funds:

- The Water and Sewer Fund is used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

The Township also reports the following fund types:

- The Expendable Trust Funds – Medical Insurance and Sick Pay Funds – account for assets held for individuals in a trustee capacity.
- The Agency Funds – Trust and Agency and Current and Delinquent Tax Funds – account for assets held for other governments and individuals in an agency capacity.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards issued by the GASB. The Township has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Township's water and sewer function and various other functions of the Township. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes levied by the Township.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relates to charges to customers for services provided. The Water and Sewer Fund also recognize the portion of tap on fees intended to recover current costs (e.g. the labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as capital grants and contributions. Operating costs for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is generally the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY

1. DEPOSITS AND INVESTMENTS

The Township reports cash on hand, demand deposit bank accounts, short term investments with an original maturity of three months or less from the date of acquisition, as cash and cash equivalents. Financial instruments not meeting these criteria are reported as investments. The Township reports investments at their fair value.

2. RECEIVABLES AND PAYABLES

In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as "advances to/from other funds". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

The Township has not established a reserve for uncollectible accounts based on its past experience.

The Township records various receivables which are listed and described as follows:

- a) Accounts - The accounts receivable in the general, special revenue, and enterprise funds are charges for services, which have been billed but not yet received.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

2. RECEIVABLES AND PAYABLES: (Continued)

b) Main Tap Fees - The Township records the assessments levied for the water system for which payment will be made with an assessment on the property over a period of years.

c) Connection Fees - The connection fees in the Enterprise Fund represent hook-up charges to the benefited parties for which payment will be made over a number of years.

d) Notes Receivable - The Township records all notes in the appropriate funds as transactions occur.

e) Accrued Interest - Accrued interest is recorded in the Special Revenue Funds and the Water and Sewer Fund for interest earned but not yet received.

f) Special Assessment - The Township records the assessments levied for the sewer system for which payment will be made with an assessment on the property over a period of years.

3. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both government-wide and fund financial statements.

4. INVENTORIES

Inventories are valued at the lower of cost or market, the inventories in the business type activities consist of grinder pumps and water meters available for sale.

5. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by Township policy as assets with an individual cost or value of \$5,000 or more when acquired and a useful life in excess of one year. Purchased assets are recorded at their actual costs. Donated capital assets are reported at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, no interest expense was capitalized as part of the cost of assets under construction.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

5. CAPITAL ASSETS (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Land and Improvements	10-20
Building and Improvements	10-40
Sewer and Water Systems	10-50
Machinery and Equipment	5-20
Office Equipment	5
Vehicles	5-20

Depreciation is allocated to the appropriate function in the government-wide financial statements. Assets such as the municipal building, which is a multi-function facility, are allocated to the general government function.

6. ACCRUED LEAVE PAYABLE:

The Township policy is to accrue unused sick pay for all employees. However, an employee cannot accrue more than 110 days of sick time. At the end of the fiscal year, all excess accumulated sick leave is paid to the employees at their regular rate of pay. One week's vacation may be carried to the following year. Any unused vacation pay at the end of the fiscal year is paid to the employees at their regular rate of pay. A liability for accrued sick and vacation time has been established in the government-wide financial statements.

7. LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other obligations are reported as liabilities in the appropriate governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. These costs are reported net of accumulated amortization as bond issuance cost.

8. FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation (e.g. prepaid expenses) or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. ASSETS, LIABILITIES, AND NET ASSETS/EQUITY (Continued)

9. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

A. BUDGETARY INFORMATION:

Formal budgetary integration is employed as a management control device during the year for the General Fund and all Special Revenue Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles generally accepted in the United States of America (GAAP). Budget amounts included in the financial statements are as originally adopted, and the final amended budget adopted by the Township Board. Budget amendments may be adopted by a simple majority vote of the Board at any open meeting of the Board. All appropriations lapse at the end of the fiscal year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS:

Public Act #621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual and budgeted expenditures for the budgetary funds (General Operating and Special Revenue Funds) have been shown on a functional basis. The approved budgets of the Township for these funds were adopted to the departmental level. For the year ended March 31, 2008, the Township incurred expenditures in the budgetary funds which were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Township hall and grounds	\$ 102,600	\$ 103,266	\$ (666)
Police department	451,900	452,372	(472)
Total	<u>\$ 554,500</u>	<u>\$ 555,638</u>	<u>\$ (1,138)</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 3 - DEPOSITS AND INVESTMENTS:

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes the local government unit to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan.

The Township is allowed to invest in bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications and which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Township's deposits are as follows:

	Carrying Amount	Bank Balance
Cash on hand	\$ 200	\$ -
Insured (FDIC)	400,000	400,000
Uninsured	4,206,008	4,630,024
Uncategorized - Investment pool	2,923,710	2,923,710
	<u>\$ 7,529,918</u>	<u>\$ 7,953,734</u>
Reported in financial statements:		
Governmental Funds	\$ 4,215,783	
Proprietary Funds (Business-type)	2,369,684	
Fiduciary Funds	944,451	
	<u>\$ 7,529,918</u>	

The Township has invested cash in excess of current requirements in governmental pooled investment funds and certificates of deposit which is allowable under State Law.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned to the Township. The Township does not have a deposit policy for custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Township limits exposure risk to interest rate risk by having investments at short-term maturities.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a Government's investment in a single issuer. As of March 31, 2008, Summit Township held 23% of its deposits and investments with Flagstar Bank, 28% with Citizens Bank, 12% with American 1 Federal Credit Union, and 37% with MBIA investment pool.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES:

The amount of interfund receivables and payables at March 31, 2008 are as follows:

<u>FUND</u>	<u>RECEIVABLES</u>	<u>FUND</u>	<u>PAYABLES</u>
General	\$ 534,752	Water and Sewer	\$ 160,569
	-	Improvement Revolving	286,893
	-	Building Code	30,420
		Medical Insurance	12,000
	-	Sick Pay	12,516
		Trust and Agency	364
	-	Current Tax	31,990
Total	<u>\$ 534,752</u>		<u>\$ 534,752</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS:

Capital asset activity for the year is summarized below:

Asset Category	Balance 3/31/07	Additions	Disposals	Balance 03/31/08
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 58,022	\$ -	\$ -	\$ 58,022
Capital assets, being depreciated:				
Land improvements	54,801	-	-	54,801
Building and improvements	2,233,355	-	-	2,233,355
Machinery and equipment	752,898	4,050	(58,293)	698,655
Office equipment	61,474	14,611	-	76,085
Vehicles	777,472	652,460	(355,725)	1,074,207
Total capital assets being depreciated	3,880,000	671,121	(414,018)	4,137,103
Less - Accumulated Depreciation:				
Land improvements	(6,508)	(2,603)	-	(9,111)
Building and improvements	(632,470)	(54,034)	-	(686,504)
Machinery and equipment	(425,921)	(52,594)	55,378	(423,137)
Office equipment	(27,777)	(7,930)	-	(35,707)
Vehicles	(469,476)	(48,828)	226,767	(291,537)
Total accumulated depreciation	(1,562,152)	(165,989)	282,145	(1,445,996)
Total capital assets being depreciated, net	2,317,848	505,132	(131,873)	2,691,107
Capital assets, net	<u>\$ 2,375,870</u>	<u>\$ 505,132</u>	<u>\$ (131,873)</u>	<u>\$ 2,749,129</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 5 – CAPITAL ASSETS: (Continued)

Capital asset activity for the year is summarized below:

Asset Category	Balance 03/31/07	Additions	Disposals	Balance 03/31/08
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 252,223	\$ -	\$ -	\$ 252,223
Capital assets, being depreciated:				
Land improvements	29,223	-	-	29,223
Buildings and improvements	746,457	-	-	746,457
Machinery and equipment	1,643,166	9,441	(446,448)	1,206,159
Water and Sewer Systems	38,568,465	1,333,322	-	39,901,787
Total capital assets being depreciated	40,987,311	1,342,763	(446,448)	41,883,626
Less - Accumulated Depreciation:				
Land improvements	(6,573)	(1,195)	-	(7,768)
Building and improvements	(69,983)	(18,918)	-	(88,901)
Machinery and equipment	(1,023,875)	(82,368)	446,448	(659,795)
Water and Sewer Systems	(19,535,469)	(820,976)	-	(20,356,445)
Total accumulated depreciation	(20,635,900)	(923,457)	446,448	(21,112,909)
Total capital assets being depreciated, net	20,351,411	419,306		20,770,717
Capital assets, net	\$20,603,634	\$ 419,306	\$ -	\$21,022,940

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Total depreciation expense, governmental activities \$ 165,989

Business-Type Activities:

Total depreciation expense, business-type activities \$ 923,457

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 6 – NOTES RECEIVABLE:

In an effort to encourage a large manufactured housing development to connect to the municipal water system, Summit Township offered to finance the water main tap extensions for the private owners. A formal note exists calling for monthly payments plus interest at 10 percent. The remaining balance of \$2,010 represents the current balance as of March 31, 2008.

NOTE 7 - SPECIAL ASSESSMENTS RECEIVABLE:

The Township allowed residents within the special assessment districts the option of paying over a ten to eighteen year period. Interest is charged at 7 to 7.25% over the average bond rate. No allowance for uncollectible accounts has been established as the assessments create a first lien against the assessed property. Past experience has indicated that the receivable will be completely collected. The remaining balance of \$36,363 represents the current balance as of March 31, 2008.

NOTE 8 - LONG-TERM DEBT:

The Township issued bonds to finance the construction of a water system extension. These bonds are general obligation unlimited tax bonds, and pledge the full faith and credit of the Township.

The following is a summary of the Township's long-term debt transactions for the year ended March 31, 2008:

	Balance 03/31/07	Repayments	Additional Debt	Balance 03/31/08
Governmental Activities:				
Township road agreement - Jackson				
County Road Commission	\$ 129,445	\$ (64,725)	\$ -	\$ 64,720
Business-Type Activities:				
General Obligation bonds - Summit				
Township 1998 Michigan Municipal				
Bond Authority Michigan Drinking				
Water Revolving Fund Program -				
DPW Bonds issued through the				
State of Michigan. \$4,630,000				
maturing semiannually in annual				
amounts ranging from \$180,000 to				
\$280,000, at an interest rate of 2.50%	3,130,000	(205,000)	-	2,925,000

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 - LONG-TERM DEBT: (Continued)

	Balance 03/31/07	Repayments	Additional Debt	Balance 03/31/08
Business-Type Activities: (Continued)				
Subtotal	3,130,000	(205,000)	-	2,925,000
General Obligation bonds - Summit Township 2007 Michigan Municipal Bond Authority Michigan Drinking Water Revolving Fund Program - DPW Bonds issued through the State of Michigan. \$2,360,000 maturing semiannually in annual amounts ranging from \$95,000 to \$145,000, at an interest rate of 2.125%	-	-	1,321,774	1,321,774
Total Business-Type Activities	<u>\$ 3,130,000</u>	<u>\$ (205,000)</u>	<u>\$1,321,774</u>	<u>\$ 4,246,774</u>

Presented below is a summary of debt service requirements to maturity by years:

Year Ending March 31	Business-Type Activities	
	Principle	Interest
2009	\$ 305,000	\$ 98,588
2010	315,000	91,256
2011	325,000	83,631
2012	330,000	75,818
2013	340,000	67,882
Thereafter	2,631,774	222,566
	<u>\$ 4,246,774</u>	<u>\$ 639,741</u>

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 - FUND EQUITY:

A. RESERVES AND DESIGNATIONS:

Board action and requirements of generally accepted accounting principles have reserved and designated portions of fund equity in certain funds, indicating the amount not available for funding current year's activities. These can be summarized as follows:

	General Fund	Proprietary Fund	Fiduciary Funds	Total
Designated:				
Compensated Absences	\$ -	\$ -	\$ 195,005	\$ 195,005
Restricted:				
Prepaid Expenses	\$ 25,669	\$ -	\$ 11,856	\$ 37,525
Inventory	-	286,024	-	286,024
	<u>\$ 25,669</u>	<u>\$ 286,024</u>	<u>\$ 11,856</u>	<u>\$ 323,549</u>

NOTE 10 - PROPERTY TAXES:

Real and personal property taxes are levied on December 1st of each year, and are due to the Township by the last day of the following February. The Township is responsible for assessing, collecting and distributing property taxes in accordance with State law. Delinquent real property taxes are paid to the Township by Jackson County. Therefore, the General Fund reflects as revenues, the full amount of real taxes levied during the year. The personal property taxes are reflected as revenues in the year collected, which does not materially differ from the full accrual method of revenue recognition.

The Township's operating tax rate for the year ended March 31, 2008 was .8168 mills, levied on property with a Taxable Value of \$636,825,633 dollars.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN:

Defined Benefit Pension Plan:

Substantially all of Summit Township's employees participate in the Michigan Municipal Employee's Retirement System ("the System"), a multiple employer public employee retirement system. The payroll for employees covered by the System for the year ended December 31, 2007 was \$1,528,316 and the Township's total payroll for the year was \$1,683,432.

All Summit Township's full time salaried, union, clerical, and all Board Members are eligible to participate in the System. The System's retirement eligibility, vesting, and benefits are determined as follows:

	<u>NON-UNION</u>	<u>UNION</u>
Retirement Eligibility	Age 60/55 with 8/20 or more years of credited service, respectively	Age 60/50 with 8/25 or more years of credited service, respectively
Vesting	After 8 years of service	After 8 years of service
Benefit Formula	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.	2.5% of Final Average Compensation, multiplied by credited service with a maximum benefit of 80% of the Final 3 years of Average Compensation.

The System also provides death and disability benefits. Benefits are established by state statute. Benefit D-2 was adopted to provide a retirement allowance for a duty-connected disability.

Employees are not required to make contributions to the System. However, they may elect to contribute a percentage of their annual compensation. The percent is selected by the member's municipality ranging from 0% to 10% in 0.1% increments.

The "Actuarial Accrued Liability" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

The Actuarial Accrued Liability for Summit Township at December 31, 2007, (the most recent date available) is determined through an actuarial valuation performed as of that date. Significant actuarial assumptions used in determining the pension benefit obligation included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% annually after retirement.

At December 31, 2007, for Summit Township, the Actuarial Accrued Liability was \$1,789,867 determined as follows:

Retirees and beneficiaries currently receiving benefits	\$ 4,082,447
Terminated employees not yet receiving benefits	186,195
Current employees -	
Accumulated employee contributions, including	
allocated investment income	154,775
Employer financed	3,779,744
Total Actuarial Accrued Liability	<u>8,203,161</u>
Net assets available for benefits, at actuarial value	
(Market Value is \$6,488,109)	<u>6,413,294</u>
Unfunded (overfunded) actuarial accrued liability	<u><u>\$ 1,789,867</u></u>

During the year ended December 31, 2007, the plan for Summit Township experienced a net decrease of \$509 in the Unfunded Actuarial Liability. The combined change in the Unfunded Actuarial Liability resulting from benefit changes and revisions in actuarial assumptions is \$0.

Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The payments for the fiscal year ended March 31, 2007 were determined using an attained age actuarial funding method. Unfunded Actuarial Accrued Liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the Unfunded Actuarial Liability.

The annual required and actual contribution as of December 31, 2007 was \$293,232.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Trend information for the plan's year ended December 31 is presented as follows:

Year	Net Assets Available for Benefits as Percentages of the UAL	UAL as Percentages of Annual Payroll	Employer Contributions as Percentages of Annual Payroll	
			Union	Non-Union
1998	89.00%	42.00%	11.20%	15.74%
1999	94.00%	24.00%	10.37%	15.31%
2000	87.00%	56.00%	10.79%	17.75%
2001	80.00%	84.00%	13.89%	19.25%
2002	75.00%	107.00%	14.94%	20.57%
2003	79.00%	91.00%	15.32%	18.70%
2004	77.00%	110.00%	17.11%	19.99%
2005	79.00%	137.00%	19.66%	20.81%
2006	77.00%	119.00%	18.38%	19.83%
2007	78.00%	117.00%	18.90%	19.48%

The report of the annual actuarial valuation at December 31, 2007 covering the participation of Summit Township in the System is available upon request at the Township's office. Information regarding the Michigan Employee Retirement System Financial Statements is also available at the Township's office.

Ten-year historical trend information is included:

REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS

Valuation Date	Accrued Liabilities	Valuation Assets	Percent Funded (1)/(2)	Unfunded (Overfunded)	Annual Payroll	UAL as a % of annual Payroll
				UAL (2)-(1)		(4)/(5)
December 31						
1998	\$ 3,701,082	\$ 3,285,874	89%	\$ 415,208	\$ 992,365	42%
1999	4,029,275	3,777,643	94%	251,632	1,053,768	24%
2000	4,789,794	4,144,852	87%	644,942	1,144,721	56%
2001	5,479,918	4,411,029	80%	1,068,889	1,287,321	83%
2002	5,984,799	4,513,791	75%	1,471,008	1,380,281	107%
2003	6,180,929	4,868,054	79%	1,312,875	1,447,022	91%
2004	6,760,956	5,227,445	77%	1,533,511	1,400,340	110%
2005	6,968,812	5,507,846	79%	1,460,966	1,067,337	137%
2006	7,728,462	5,938,086	77%	1,790,376	1,499,371	119%
2007	8,203,161	6,413,294	78%	1,789,867	1,528,316	117%

Note: Actuarial assumptions for MERS valuations were revised for 2005 valuations. Total required life liabilities are reflected in MERS UAL figures beginning in 1984.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 11 - PENSION PLAN: (Continued)

NON-UNION
COMPUTED EMPLOYER CONTRIBUTIONS-COMPARATIVE STATEMENT
NON- UNION

Valuation Date December 31	Number	Annual Payroll	Employer Contribution as Percent of Payroll	
			Regular Contribution	Minimum Required Contribution
1998	22	\$ 578,422	15.74%	15.74%
1999	22	569,197	15.31%	15.31%
2000	21	579,921	17.75%	17.75%
2001	22	680,068	19.25%	19.25%
2002	22	732,890	20.57%	20.57%
2003	23	764,218	18.70%	18.70%
2004	22	731,437	19.99%	19.99%
2005	20	713,458	20.81%	20.81%
2006	21	775,217	19.83%	19.83%
2007	21	755,639	19.48%	19.48%

Notes: Actuarial assumptions were revised for MERS valuations in 2005.

UNION

Valuation Date December 31	Active Members		Employer Contribution as Percent of Payroll	
	Number	Annual Payroll	Regular Contribution	Minimum Required Contribution
1997	11	\$ 322,605	10.56%	10.56%
1998	12	413,943	11.20%	11.20%
1999	16	484,571	10.38%	10.37%
2000	16	564,800	10.79%	10.79%
2001	15	607,253	13.89%	13.89%
2002	15	647,391	14.94%	14.94%
2003	15	682,804	15.32%	15.32%
2004	15	668,903	17.11%	17.11%
2005	12	353,879	19.66%	19.66%
2006	15	724,154	18.38%	18.38%
2007	15	772,677	18.90%	18.90%

Notes: Actuarial assumptions were revised for MERS valuations in 2005.

SUMMIT TOWNSHIP
NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – FUND BALANCE RESTATEMENT

The Township receives revenues from franchise fees, in prior years the revenues were received on a semiannual basis. For the year ended March 31, 2008 the franchise fees were being received on a quarterly basis. Beginning Fund Balance/Net Assets were restated (an increase of \$40,225) in the governmental activities/general fund to account for this change.

NOTE 13 – RISK MANAGEMENT:

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2008, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded commercial insurance coverage amounts in any of the past three fiscal years.

NOTE 14 – OTHER POSTRETIREMENT BENEFITS:

The Township provides postretirement health benefits for certain retirees and their spouses, as per the requirements of a Township Board resolution. The Township pays 100 percent of the premiums of health coverage for employees and their spouse who retires with 20 years of service and have reached the age of 55 or combination of service and age equaling 80 with a minimum of 15 years of service. Surviving spouses are covered at a single person rate for life or until remarried. These transactions are accounted for in the Medical Insurance Expendable Trust Fund. Expenditures under the plan totaled \$136,090 during the fiscal year ended March 31, 2008, and are funded on a pay as you go basis.

NOTE 15 – SUBSEQUENT EVENTS:

The Township currently is constructing an elevated water storage tank. The Township has secured financing through the Michigan Municipal Bond Authority in the amount of \$2,360,000. As of March 31, 2008, \$1,321,774 had been borrowed for this project. The project is scheduled to be completed in 2008/09.

SUMMIT TOWNSHIP

REQUIRED SUPPLEMENTARY INFORMATION

FISCAL YEAR ENDED MARCH 31, 2008

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE:				
STATE SHARED REVENUES:				
Sales tax	\$ 1,502,500	\$ 1,502,500	\$ 1,504,061	\$ 1,561
FINES AND FORFEITURES:				
Police fines	34,725	35,325	36,323	998
INTEREST AND RENTALS:				
Interest on investments	104,500	91,000	94,631	3,631
TAXES AND PENALTIES:				
Current property taxes	520,700	521,000	521,921	-
Delinquent property taxes	2,000	1,000	739	-
Interest and penalties	13,700	13,400	16,408	-
Administrative fees	192,000	190,700	193,805	-
Total	728,400	726,100	732,873	6,773
LICENSES AND FEES:				
Franchise fees	132,500	155,700	153,446	-
Trailer park fees	1,400	1,400	1,610	-
Liquor licenses	11,100	10,000	10,039	-
IFT certificate fees	100	100	350	-
Zoning fees and variance applications	7,500	7,900	8,699	-
Telecommunication fees	10,900	10,900	10,962	-
Total	163,500	186,000	185,106	(894)
OTHER:				
Administrative fees - From other governmental units	28,500	29,000	29,061	-
Administrative fees - From other funds	160,000	160,000	160,000	-
Sewer Letters	5,600	5,300	5,463	-
Other	26,800	33,800	47,117	-
Total	220,900	228,100	241,641	13,541
Total Revenue	2,754,525	2,769,025	2,794,635	25,610

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
EXPENDITURES:				
LEGISLATIVE:				
TOWNSHIP BOARD:				
Salaries and wages	-	-	22,200	-
Employees' social security	-	-	2,368	-
Employees' health insurance	-	-	8,012	-
Employees' life insurance	-	-	293	-
Retirement contributions	-	-	4,776	-
Office supplies	-	-	1,000	-
Professional services	-	-	33,613	-
Printing and publishing	-	-	5,713	-
Education and training	-	-	78	-
Insurance and bonds	-	-	40,085	-
Membership and dues	-	-	11,869	-
Total legislative	143,300	132,400	130,007	2,393
GENERAL GOVERNMENT:				
TOWNSHIP SUPERVISOR:				
Salaries and wages	-	-	24,573	-
Employees' social security	-	-	1,803	-
Employees' health insurance	-	-	2,018	-
Employees' life insurance	-	-	83	-
Retirement contributions	-	-	5,114	-
Office supplies	-	-	201	-
Education and training	-	-	711	-
Insurance and bonds	-	-	95	-
Total township supervisor	36,300	36,400	34,598	1,802
ELECTIONS:				
Salaries and wages	-	-	7,160	-
Office supplies	-	-	1,351	-
Maintenance supplies	-	-	814	-
Printing and publishing	-	-	-	-
Total elections	5,800	9,900	9,325	575

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
GENERAL GOVERNMENT: (Continued)				
ASSESSING:				
Salaries and wages	-	-	158,903	-
Employees' social security	-	-	12,851	-
Employees' health insurance	-	-	18,724	-
Retirement contribution	-	-	33,892	-
Employees' life insurance	-	-	218	-
Unemployment insurance	-	-	36	-
Office supplies	-	-	1,838	-
Printing and publishing	-	-	174	-
Insurance and bonds	-	-	2,763	-
Education and training	-	-	1,621	-
Tax roll preparation	-	-	4,360	-
Computer supplies	-	-	4,036	-
Membership and dues	-	-	388	-
Lease	-	-	6,864	-
Total assessing	254,900	251,400	246,668	4,732
TOWNSHIP CLERK:				
Salaries and wages	-	-	81,479	-
Employees' social security	-	-	6,151	-
Employees' health insurance	-	-	21,934	-
Employees' life insurance	-	-	165	-
Retirement contribution	-	-	15,763	-
Membership and dues	-	-	65	-
Office supplies	-	-	83	-
Education and training	-	-	411	-
Insurance and bonds	-	-	404	-
Total township clerk	104,200	131,500	126,455	5,045

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
GENERAL GOVERNMENT: (Continued)				
TOWNSHIP TREASURER:				
Salaries and wages	-	-	72,313	-
Employees' social security	-	-	5,457	-
Employees' health insurance	-	-	15,543	-
Employees' life insurance	-	-	149	-
Retirement contribution	-	-	11,321	-
Unemployment insurance	-	-	9	-
Office supplies	-	-	11,936	-
Computer supplies	-	-	1,315	-
Insurance and bonds	-	-	336	-
Education and training	-	-	597	-
Membership and dues	-	-	45	-
Lease	-	-	3,350	-
Total township treasurer	<u>122,400</u>	<u>124,800</u>	<u>122,371</u>	<u>2,429</u>
TOWNSHIP HALL AND GROUNDS:				
Office supplies	-	-	6,544	-
Computer supplies	-	-	14,721	-
Maintenance supplies	-	-	4,669	-
Public utilities	-	-	21,876	-
Telephone	-	-	6,747	-
Equipment rental	-	-	8,527	-
Maintenance of grounds	-	-	40,182	-
Total township hall and grounds	<u>105,300</u>	<u>102,600</u>	<u>103,266</u>	<u>(666)</u>
Total General Government	<u>628,900</u>	<u>656,600</u>	<u>642,683</u>	<u>13,917</u>
PUBLIC SAFETY:				
POLICE DEPARTMENT:				
Salaries and wages	-	-	13,419	-
Employees Social Security	-	-	1,045	-
Contracted services	-	-	425,056	-
Office supplies	-	-	117	-
Professional services	-	-	10,000	-
Gas and mileage	-	-	1,972	-
Insurance and bonds	-	-	301	-
Membership and dues	-	-	25	-
Telephone	-	-	437	-
Total police department	<u>451,700</u>	<u>451,900</u>	<u>452,372</u>	<u>(472)</u>

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
PUBLIC SAFETY: (Continued)				
FIRE DEPARTMENT:				
Salaries and wages	-	-	803,577	-
Employees' social security	-	-	60,130	-
Employees' health insurance	-	-	143,477	-
Employees' life insurance	-	-	965	-
Retirement contribution	-	-	157,060	-
Unemployment insurance	-	-	-	-
Membership and dues	-	-	2,420	-
Clothing and safety gear	-	-	13,776	-
Office supplies	-	-	2,074	-
Uniforms	-	-	-	-
Maintenance supplies	-	-	17,161	-
Vehicle maintenance	-	-	28,154	-
Radio maintenance	-	-	1,695	-
Insurance and bonds	-	-	46,103	-
Public utilities	-	-	14,151	-
Telephone	-	-	4,717	-
Computer supplies	-	-	5,100	-
Education and training	-	-	11,959	-
Employee physicals	-	-	7,637	-
Gas and mileage	-	-	14,217	-
Lease	-	-	750	-
Capital outlay	-	-	20,226	-
Total fire department	1,352,050	1,376,850	1,355,349	21,501
Total Public Safety	1,803,750	1,828,750	1,807,721	21,029
OTHER FUNCTIONS:				
Zoning	-	-	46,379	-
Cemetery	-	-	3,500	-
Sanitary landfill	-	-	10,823	-
Roads and streets	-	-	71,376	-
Board of appeals	-	-	2,744	-
Planning commission	-	-	3,926	-
Board of review	-	-	1,760	-
Recreation committee	-	-	1,273	-
Other	-	-	13,808	-
Capital outlay	-	-	-	-
Total other functions	162,900	160,600	155,589	5,011
Total Expenditures	2,738,850	2,778,350	2,736,000	42,350

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Excess (deficiency) of revenues over (under) expenditures	15,675	(9,325)	58,635	67,960
OTHER FINANCING SOURCES (USES):				
OPERATING TRANSFERS OUT:				
Medical Insurance fund	(125,000)	(125,000)	(125,000)	-
Total other financing sources (uses)	(125,000)	(125,000)	(125,000)	-
Net change in fund balance	(109,325)	(134,325)	(66,365)	67,960
Beginning of Year Fund Balance	2,045,549	2,045,549	2,045,549	-
Budgetary Fund Balance - March 31, 2008	\$ 1,936,224	\$ 1,911,224	\$ 1,979,184	\$ 67,960

The accompanying notes are an integral part of the financial statements.

SUMMIT TOWNSHIP
PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

SCHEDULE OF FUNDING PROGRESS:

REQUIRED SUPPLEMENTARY INFORMATION - ANALYSIS OF FUNDING PROGRESS

	(1)	(2)	(3)	(4)	(5)	(6)
Valuation Date December 31	Accrued Liabilities	Valuation Assets	Percent Funded (1)/(2)	Unfunded (Overfunded) UAL (2) - (1)	Annual Payroll	UAL as a % of annual Payroll (4)/(5)
1998	\$ 3,701,082	\$ 3,285,874	89%	\$ 415,208	\$ 992,365	42%
1999	4,029,275	3,777,643	94%	251,632	1,053,768	24%
2000	4,789,794	4,144,852	87%	644,942	1,144,721	56%
2001	5,479,918	4,411,029	80%	1,068,889	1,287,321	83%
2002	5,984,799	4,513,791	75%	1,471,008	1,380,281	107%
2003	6,180,929	4,868,054	79%	1,312,875	1,447,022	91%
2004	6,760,956	5,227,445	77%	1,533,511	1,400,340	110%
2005	6,968,812	5,507,846	79%	1,460,966	1,067,337	137%
2006	7,728,462	5,938,086	77%	1,790,376	1,499,371	119%
2007	8,203,161	6,413,294	78%	1,789,867	1,528,316	117%

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

Year Ended December 31	Annual Required Contribution	Percentage Contributed
2001	\$ 178,794	100%
2002	196,871	100%
2003	233,721	100%
2004	257,906	100%
2005	260,664	100%
2006	286,836	100%
2007	293,232	100%

The information presented above was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation is as follows:

Actuarial Cost Method	Entry age
Amortization Method	Level percent
Remaining Amortization Period	24 years
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.0%
Projected Salary Increases*	4.5%
*Includes Inflation at	3.0%

SUMMIT TOWNSHIP

ADDITIONAL INFORMATION

FISCAL YEAR ENDED MARCH 31, 2008

SUMMIT TOWNSHIP
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>BUILDING AND SITE</u>	<u>PUBLIC IMPROVEMENT</u>
ASSETS		
Cash and cash equivalents	\$ 545,620	\$ 711,133
Accounts receivable	-	-
Accrued interest receivable	800	29
Due from Jackson County	-	-
	<u>-</u>	<u>-</u>
Total assets	<u>\$ 546,420</u>	<u>\$ 711,162</u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$ -	\$ -
Accrued payroll	-	-
Due to other funds	-	-
Total liabilities	<u>-</u>	<u>-</u>
 Fund balance - Unreserved	<u>546,420</u>	<u>711,162</u>
Total liabilities and fund balance	<u>\$ 546,420</u>	<u>\$ 711,162</u>

The accompanying notes are an integral part of the financial statements.

EQUIPMENT	STREET LIGHTS	IMPROVEMENT REVOLVING FUND	BUILDING CODE	TOTAL
\$ 485,341	\$ 122,456	\$ 1,065,234	\$ 96,735	\$ 3,026,519
-	-	-	-	-
972	-	151	-	1,952
-	10,496	-	-	10,496
<u>\$ 486,313</u>	<u>\$ 132,952</u>	<u>\$ 1,065,385</u>	<u>\$ 96,735</u>	<u>\$ 3,038,967</u>
\$ -	\$ 12,135	\$ -	\$ 227	\$ 12,362
-	-	-	1,961	1,961
-	-	286,893	30,420	317,313
-	12,135	286,893	32,608	331,636
486,313	120,817	778,492	64,127	2,707,331
<u>\$ 486,313</u>	<u>\$ 132,952</u>	<u>\$ 1,065,385</u>	<u>\$ 96,735</u>	<u>\$ 3,038,967</u>

SUMMIT TOWNSHIP
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENT FUNDS
MARCH 31, 2008

	BUILDING AND SITE	PUBLIC IMPROVEMENT
REVENUES:		
Property tax	\$ -	\$ -
Permit fees	-	-
Interest	20,358	41,245
Other	-	-
Total revenues	<u>20,358</u>	<u>41,245</u>
EXPENDITURES:		
Salaries and wages	-	-
Employees' social security	-	-
Employees' health insurance	-	-
Employees' life insurance	-	-
Retirement contribution	-	-
Unemployment taxes	-	-
Office supplies	-	-
Computer supplies	-	-
Memberships and dues	-	-
Insurance and bonds	-	-
Public works and utilities	-	-
Telephone	-	-
Education and training	-	-
Lease	-	-
Capital outlay	-	-
Total expenditures	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>20,358</u>	<u>41,245</u>
OTHER FINANCING SOURCES (USES):		
Operating transfers in	-	-
Operating transfers (out)	-	(200,000)
Total other financing sources (uses)	<u>-</u>	<u>(200,000)</u>
Net change in fund balance	20,358	(158,755)
FUND BALANCE -		
Beginning of year	<u>526,062</u>	<u>869,917</u>
FUND BALANCE -		
End of year	<u>\$ 546,420</u>	<u>\$ 711,162</u>

The accompanying notes are an integral part of the financial statements.

EQUIPMENT	STREET LIGHTS	REVOLVING FUND	BUILDING CODE	TOTAL
\$ -	\$ 142,067	\$ -	\$ -	\$ 142,067
-	-	-	125,404	125,404
29,807	1,444	46,881	4,022	143,757
60,010	-	-	-	60,010
89,817	143,511	46,881	129,426	471,238
-	-	-	100,387	100,387
-	-	-	6,473	6,473
-	-	-	3,000	3,000
-	-	-	75	75
-	-	-	14,817	14,817
-	-	-	334	334
-	-	-	281	281
-	-	-	575	575
-	-	-	585	585
-	-	-	3,090	3,090
-	144,773	-	900	145,673
-	-	-	1,011	1,011
-	-	-	3,814	3,814
-	-	-	3,350	3,350
671,120	-	-	-	671,120
671,120	144,773	-	138,692	954,585
(581,303)	(1,262)	46,881	(9,266)	(483,347)
400,934	-	-	-	400,934
-	-	(200,934)	-	(400,934)
400,934	-	(200,934)	-	-
(180,369)	(1,262)	(154,053)	(9,266)	(483,347)
666,682	122,079	932,545	73,393	3,190,678
\$ 486,313	\$ 120,817	\$ 778,492	\$ 64,127	\$ 2,707,331

SUMMIT TOWNSHIP
SCHEDULE OF INDEBTNESS
MARCH 31, 2008

WATER AND SEWER ENTERPRISE FUND	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY
GENERAL OBLIGATION BONDS:				
Michigan State Revolving Loan Fund (Township of Summit) Bonds	09/29/98	\$ 4,630,000	2.50%	10/01/08
				04/01/09
				10/01/09
				04/01/10
				10/01/10
				04/01/11
				10/01/11
				04/01/12
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				04/01/14
				10/01/14
				04/01/15
				10/01/15
				04/01/16
10/01/16				
04/01/17				
10/01/17				
04/01/18				
10/01/18				
04/01/19				
10/01/19				
Michigan State Revolving Loan Fund (Township of Summit) Bonds	06/28/07	\$ 2,360,000	2.125%	10/01/08
				04/01/09
				10/01/09
				04/01/10
				10/01/10
				04/01/11
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				10/01/17
				04/01/18
				10/01/18
04/01/19				
10/01/19				
04/01/20				
10/01/20				
04/01/21				

The accompanying notes are an integral part of the financial statements.

PRINCIPAL DUE	INTEREST DUE	FISCAL YEAR TOTAL
\$ 210,000	\$ 36,563	\$ 280,500
	33,937	
215,000	33,938	280,188
	31,250	
225,000	31,250	284,687
	28,437	
230,000	28,438	284,000
	25,562	
235,000	25,563	283,188
	22,625	
240,000	22,625	282,250
	19,625	
245,000	19,625	281,187
	16,562	
250,000	16,563	280,000
	13,437	
260,000	13,438	283,625
	10,187	
265,000	10,188	282,063
	6,875	
270,000	6,875	280,375
	3,500	
280,000	3,500	283,500
<u>\$ 2,925,000</u>	<u>\$ 460,563</u>	<u>\$ 3,385,563</u>
\$ -	\$ 14,044	\$ 14,044
95,000	14,044	109,044
	13,034	13,034
100,000	13,034	113,034
	11,972	11,972
100,000	11,972	111,972
	10,909	10,909
100,000	10,909	110,909
	9,847	9,847
105,000	9,847	114,847
	8,731	8,731
105,000	8,731	113,731
	7,616	7,616
110,000	7,616	117,616
	6,447	6,447
110,000	6,447	116,447
	5,278	5,278
115,000	5,278	120,278
	4,056	4,056
115,000	4,056	119,056
	2,834	2,834
120,000	2,834	122,834
	1,559	1,559
120,000	1,559	121,559
	284	284
26,774	284	27,058
<u>\$ 1,321,774</u>	<u>\$ 179,178</u>	<u>\$ 1,500,952</u>
<u>\$ 4,246,774</u>	<u>\$ 639,741</u>	<u>\$ 4,886,515</u>

SINGLE AUDIT SECTION

SUMMIT TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
THE YEAR ENDED MARCH 31, 2008

<u>FEDERAL GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>GRANT/ AGREEMENT NUMBER</u>	<u>AMOUNT OF FEDERAL AWARD</u>	<u>CURRENT YEAR EXPEND- ITURES</u>	<u>CURRENT YEAR RECEIPTS</u>
Safe Drinking Water State Revolving Fund	66.468	7213-1	<u>\$ 1,901,924</u>	<u>\$ 662,641</u>	<u>\$ 662,641</u>

This schedule was prepared on the modified accrual basis of accounting, consistent with the audited financial statements.

MARKOWSKI & COMPANY

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2880 SPRING ARBOR ROAD

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MEMBERS:
AMERICAN INSTITUTE OF
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MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Summit Township Board
Jackson, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Summit Township, as of and for the year ended March 31, 2008, which collectively comprise Summit Township's basic financial statements and have issued our report thereon dated September 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Summit Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Summit Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Summit Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Summit Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Summit Township's financial statements that is more than inconsequential will not be prevented by Summit Township's internal control.

Report on Internal Control over Financial Reporting and on Compliance
and other Matters Based on an Audit of Financial Statements Performed
in accordance With *Government Auditing Standards*
Summit Township
Page Two

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Summit Township's internal control.

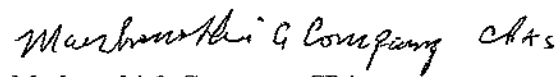
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Summit Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Summit Township in a separate letter dated September 5, 2008.

This report is intended solely for the information and use of management, Summit Township's Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Markowski & Company, CPAs
Jackson, Michigan
September 5, 2008

MARKOWSKI & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:
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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Summit Township Board
Jackson, Michigan

Compliance

We have audited the compliance of Summit Township with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended March 31, 2008. Summit Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Summit Township's management. Our responsibility is to express an opinion on Summit Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Summit Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Summit Township's compliance with those requirements.

In our opinion, Summit Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Compliance

The management of Summit Township is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Summit Township's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Summit Township's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses, as defined above.

Summit Township's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Summit Township's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Township Board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Markowski & Company CPAs

Markowski & Company, CPAs
Jackson, Michigan
September 5, 2008.

SUMMIT TOWNSHIP

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2008**

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material Weakness(es) identified ☐ Yes ☒ No

Reportable condition(s) identified that are not
considered to be material weaknesses: ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material Weakness (es) identified ☐ Yes ☒ No

Reportable condition(s) identified that are not
considered to be material weaknesses: ☐ Yes ☒ None reported

Type of auditor's report issued on compliance for
major programs: Qualified

Any audit findings disclosed that are required to be
reported in accordance with Section 510(a) of Circular
A-133? ☐ Yes ☒ No

SUMMIT TOWNSHIP

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2008**

SECTION I - Summary of Auditor's Results (Continued)

Identification of major programs:

CFDA Number(s)

66.468

Name of Federal Program or Cluster

Safe Drinking Water State Revolving Fund

Dollar threshold used to distinguish
between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 Yes X No

SUMMIT TOWNSHIP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2008

Section II - Financial Statement Findings

Condition: Preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires internal controls over both (1) recording, processing, and summarizing accounting transactions (i.e. maintaining internal books and records) and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

As is the case in many small entities, Summit Township has historically relied on its independent external auditors to assist in the preparation of its government-wide and fund financial statements and footnotes as part of its external financial reporting process. Accordingly, Summit Township's ability to prepare financial statements in accordance with GAAP is based in part on its reliance on its *external* auditors, who cannot by definition be considered a part of Summit Township's *internal* controls.

Recommendation: Options to be considered by Summit Township would be obtaining additional training for its staff to familiarize them with the requirements of preparing external financial reports, or retaining the services of a CPA independent of the current audit process to prepare/review the financial statements prior to their issuance.

Management's Response: Management believes that the current practice of the external auditor assisting in external financial reporting is the most cost effective means of preparing the required external financial reports.

SUMMIT TOWNSHIP

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2008**

Section III – Federal Award Findings and Questioned Costs

There were no findings or questioned costs during the audited period.

MARKOWSKI & COMPANY
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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

COMMUNICATION OF AUDITOR/TOWNSHIP RESPONSIBILITY

Township Board
Summit Township
Jackson County, Michigan

We have audited the financial statements of Summit Township as of and for the year ended March 31, 2008, and have issued our report thereon dated September 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated June 23, 2008 our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud, may exist and not be detected by us.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Summit Township are described in Note 1 to the financial statements. We noted no transactions entered into by the Township of Summit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the depreciable lives of the capital assets.

We evaluated the lives of each of the assets to determine that they are being expensed over the proper period of time.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Summit Township that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We noted audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on Summit Township's reporting process. Please see the attached memorandum of comments and recommendations.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Summit Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Summit Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

The staff at the Township was extremely helpful and cooperative during our audit. We did not encounter any difficulties in completing our audit.

This information is intended solely for the use of the Township Board and management of Summit Township and should not be used for any other purpose.

Very truly yours,

Markowski & Company CPAs

MARKOWSKI & COMPANY CPAs
September 5, 2008

SUMMIT TOWNSHIP
MEMORANDUM OF COMMENTS AND RECOMMENDATIONS
FOR THE YEAR ENDED MARCH 31, 2008

Budgeting Procedures

As disclosed in Note 2, the Township spent amounts in excess of the approved budget during the year ended March 31, 2008. This is a violation of Public Act 621 of 1978. Budget variances of this sort are not unusual in governmental accounting. The Township management has been monitoring and amending the budget as necessary, the two budget variances noted were insignificant when compared to the overall budget of the Township.

Segregation of Duties

Because of the limited size of Summit Township's accounting department, proper segregation of duties cannot be accomplished. This is an inherent weakness in the internal controls of the Township. Township executives - supervisor, clerk and treasurer need to continue exercising appropriate management oversight to compensate for this. The township does segregate duties as much as possible for its size. The solution would be to hire additional employees, which would be an inefficient use of Township resources.

GASB 43 and 45 Other Postemployment Benefits

Summit Township provides health insurance to retirees who qualify under the Township's current policy. New accounting pronouncements will require the Township to account for the unfunded liability beginning April 1, 2009. We recommend that the Township continue its discussion to determine the steps the Township will take to account for these obligations.